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# SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1912.

No. 169.

(October Term, 1910. No. 784.)

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THE FAIR,

Appellant,

vs.

KOHLER DIE & SPECIALTY COMPANY,

Appellee.

Appeal from the Circuit Court of the United States for the Northern  
District of Illinois.

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## BRIEF FOR APPELLANT.

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### STATEMENT OF FACTS.

Both appellant and appellee are corporations of Illinois and citizens of that state. Appellee (complainant below) manufactures and sells to the trade generally, under a patent, devices known as gas-jet heaters. On each device or on the package containing the same it places the following notice (Rec., p. 5):

“SPECIAL NOTICE.

“This gas jet heater is licensed by us for sale and use only when sold to the public at a price not less

than \$1.50. No license is granted to sell it to the public at a less price than \$1.50, or to use it if sold at less than such price. Any sale in violation of this condition, or its use when so sold, will constitute an infringement of our United States Letters Patent No. 822,374 (other patents pending), under which this gas jet heater is constructed, and all parties so selling or using it contrary to the terms of this license will be treated as infringers of said patent and will render themselves liable to an injunction and damages. The license to sell is good only so long as this label remains upon the package, and erasures or removal of this label will be construed as a cancellation of the license. A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation.

KOHLER DIE & SPECIALTY Co.,  
Sole Licensee."

Appellee sells its said devices to jobbers who pay to appellee the full price demanded therefor. The jobbers sell to the retailers, who pay the full price demanded, and the retailer sells to the public.

In the case at bar each and every device for which infringement was charged was of appellee's own manufacture, was purchased by appellant from a jobber to whom the full price for each device was paid, and the jobber purchased each of said devices from appellee and paid to it the full price demanded for each device.

Appellant sold to the public some of the devices so purchased, for less than \$1.50 each, the selling price fixed for each device by the notice above set forth. Thereupon appellee filed its bill of complaint charging patent infringement. (Rec., p. 1.) Appellant, after special appearance (Rec., p. 8), filed a special plea to the jurisdiction. (Rec., p. 9.)

Motion was made by appellee to dismiss the plea on the ground that a demurrer was the proper pleading. This motion was overruled. (Rec., p. 11.) The plea was then

set down for argument, appellee thereby confessing the facts set forth in the plea. Upon argument the plea was overruled and appellant was ordered to answer. (Rec., p. 11.) This it declined to do and thereupon a final decree was entered sustaining the bill of complaint and granting the prayers of the bill as if on default. (Rec., p. 12.)

Appeal was then perfected to this court upon the sole question of jurisdiction under Section 5 of the Act of 1891, creating United States Courts of Appeals. There is no showing in the record that appellant committed any other tort than the alleged tort of selling appellee's goods at a less price than that fixed in the foregoing notice.

A reference to the following citations from the record shows clearly that the only question in issue was jurisdiction. In addition to the special appearance and special plea above referred to, we direct attention to the following:

The decree (Rec., p. 12) states in referring to the defendant that "no appearance except the special appearance for the sole and only purpose of objecting to the jurisdiction has been entered."

The petition for appeal (Rec., p. 13) recites that defendant appeals to this court "upon the said question of jurisdiction."

The memorandum opinion of the judge of the court below (Rec., p. 16) states: "No proceedings did occur in this case, however, on the part of the defendant except the filing of the plea, which the defendant claims is a plea to the jurisdiction."

The order allowing the appeal (Rec., p. 15) states that it is "allowed upon the question of the jurisdiction of the court over the subject-matter of the cause, as prayed."

### ASSIGNMENT OF ERRORS.

1. That the court erred in holding herein that it had jurisdiction of the subject-matter of this cause.

2. That the court erred in overruling the plea of the defendant to the jurisdiction, filed herein March 16, 1910.

3. That the court erred in not sustaining said plea to the jurisdiction and dismissing the bill of complaint for lack of jurisdiction.

### ARGUMENT.

The solution of the question raised in this record depends upon the true construction of the patent statute, and particularly of the word "vend" therein contained. We most respectfully suggest and insist that this precise question has never been directly presented to or passed upon by this court.

Section 4884 of the Revised Statutes gives to the patent owner the "exclusive right to make, use and vend the invention or discovery." These three words, make, use and vend, have distinctive and separate meanings, no one of which conflicts with any of the others. The grant by Congress is not of one monopoly, but of three monopolies, the exclusive right to make, the exclusive right to use, and the exclusive right to vend. These three monopolies, although conferred by Congress in one section and in one grant, are just as independent of one another in the privileges and benefits to be enjoyed by the patentee, as are the words make, use and vend distinctive and separate from each other.

The exclusive right to make, or bring into being, a specific embodiment of the invention or discovery does

not control its use or sale. If the only grant in this section had been the exclusive right to make, the patentee could not enjoin others from either using or selling the devices, if made in a foreign country, although infringing devices if made here. The word make in this section has nothing whatever to do with passing title to the device after it has been made by the patentee, or his grantee. If the only monopoly in the statute were the exclusive right to make, then, as in the instant case, where all the devices were made by the patentee himself, their subsequent disposition would solely depend upon principles of the common law. It is self-evident that when the patentee has made the device, as in this case, he has exhausted the entire monopoly conferred by the words "exclusive right to make," and if he has a monopoly in either the right of use or the right of sale, or both, it depends solely upon the meaning and proper construction of other words in the act.

The second monopoly in section 4884 is the exclusive right to use. A grant of a right to use, or a grant of a right of use, is diametrically opposed to a grant of the full title to the device or thing to which the user pertains. The words to use and of use are akin to the words to hire in a bailment. They presuppose title in the grantor, and that a royalty, rental, or some other direct pecuniary benefit is to be received by the grantor or patentee from, through or by means of the particular thing or device of which the use is granted. This is especially true of a machine or other embodiment of an invention, the use of which is constantly producing pecuniary gain or profit. As the use granted by Congress to the patentee is exclusive, it would seem to follow, necessarily, that after the patentee has exercised his power to make, and while he retains the title, he may grant the use in such form as he pleases, he

may limit or restrict it, as his business interests, or possibly his mere caprice or whim may dictate. Under this second monopoly the patentee can only grant a use, and in granting the same he may limit or restrict it to time, place or particular person and to the manner in which such use may be enjoyed. If such use be granted for a specified time or to a particular person, then upon the expiration of such time or the death of such person, the right of use which was all that was granted would, of course, cease and the device, the use of which had been granted, would be, as it always had been, the property of the patentee, without any words of forfeiture or reverter. Any specific embodiment of the invention or discovery covered by the letters patent cannot be freed from the monopoly conferred unless and until the patentee has received all the pecuniary compensation or tribute fixed or demanded by him for such device. The grant or sale of the use only, which is all the patentee can give under this branch of the monopoly, *ex vi termini*, asks or demands tribute, and is entirely antagonistic to any declaration or statement, that the patentee owner of the device has received his full tribute therefor. It is a familiar principle in equity, where this case rests, that whatever the form of the papers or grant may be, the court will not "stick in the bark," but it will look at the real facts to determine the rights of the parties. Thus, although a conveyance in fee simple absolute may have been made, if the facts disclose that an equity of redemption exists the deed at once becomes a mortgage. So, under the patent laws, if the facts disclose that the patentee has not received from the device the full tribute demanded or exacted by him, whatever the form of the papers may be, this court will, as it should, declare that such device has not been freed from or passed beyond the monopoly of the letters patent. This is the



key to the *Mimeograph* and *Button Fastener* cases, which will be hereinafter considered. It indubitably follows that where the patentee makes his device and grants the use thereof for the life of his letters patent, the first two monopolies given him by Congress have become exhausted, unless he reserves to himself some royalty or other direct pecuniary benefit from the future use of such device, in which latter event the monopoly of use has not been annihilated, and such device has not passed beyond the limits of the patent. Where, however, as in this case, the patentee makes the device, delivers possession, and grants the use, without reserving to himself any direct pecuniary gain or benefit from the future use thereof, he has parted with the first two monopolies granted him by Congress.

The third monopoly in section 4884 is the exclusive right to vend. This word "vend" means the parting with the entire title for a full consideration. The first two monopolies do not relate to a transfer of title, *eo nomine*, while this word can only be given effect and the monopoly conferred thereby be deemed exhausted when the patentee has received the whole pecuniary tribute he has fixed for his device. If the patentee makes the device and fixes his price therefor, states a sum for which he is willing to vend it, and receives this sum, such device is free from *all* the monopolies of the patent, unless as a condition or part of the sale there has been a clear intention or understanding that such sale is made subject to a restriction or limitation upon the use, not the resale, of the device. The patentee cannot be said to have vended or sold his device unless he has received the full tribute he has fixed therefor. If he has not received his price, then the device is not freed from the patent monopoly. If, however, he does receive all he asks therefor, then the article is delivered free from any and all

right, title or interest of the patentee, unless there has been a *bona fide* restriction on the use. Where, as here, the patentee has been paid the last cent he is to receive for his device, and there is no limitation upon its manner of use, such device passes out of or beyond the patent monopoly, and if any restriction is attempted to be made, it can only be upon the resale. There is, and can be, no pretense in this case that there is or has been a real restriction upon the use. The language of the bill, as also of the placard when properly considered, shows that the restriction or limitation is solely and only upon the power of resale. The facts in this record disclose that the patentee is the manufacturer; that he has vended or sold the devices; that he has made and declared no limitation or restriction upon the use; that he has received his full tribute voluntarily fixed; that he is to receive no future returns from the devices, and hence they are freed from the patent monopoly. It needs no argument to show that when such devices are thus once freed from the patent, any attempted restriction or limitation upon resale does not present a case arising under the patent laws, but depends entirely upon principles of the common law, and rights of private contract. There is no case in this court arising under the patent laws which warrants in the slightest degree a restriction upon resale when the patentee has received his full tribute, and where there is no limitation upon the kind or character of the use to which the device is to be subjected. It may be that under the decisions of this court the strict legal title to the device may be passed and yet such title may be subject to a limitation or restriction upon the manner of use of such device, thus converting such sale into a qualified or conditional one, and that under such circumstances the mere fact that the patentee is not *in futuro* to receive any direct pecuniary benefit

from such device, becomes immaterial. To effect this result, however, the limitation or restriction must be upon the use, it cannot be upon the resale. If the device made by the patentee has no restriction as to use, and he has received his full tribute from sale, such device is necessarily free from the monopoly. Any restriction upon its resale, which is the case here, presents clearly no case within the patent laws. When the patentee has made the device and has sold the same, without any limitation upon its manner of use, and has not retained any future tribute from such device, he has freed it from his patent monopoly. Any question which may thereafter arise between him and his vendee presents a pure case of violation of contract upon resale, and it has nothing whatever to do with the patent laws.

There cannot be, and will not be, any claim in this case that the notice or placard places any limitation or restriction upon the use, except as it may be incidental to or as it arises from a reselling price, from which no direct percentage or benefit is reserved to the patentee. Hence the limitation here relates solely and only to the third monopoly or the power to vend. With no real or actual limitation or restriction upon the use, the device is free from the patent, when, as here, the patentee has received his full tribute. When, as here, the monopoly to vend only is involved, there is no possible distinction between the patent and the copyright laws. The patent laws confer the exclusive right to vend, while the copyright laws confer the sole liberty of vending. These are similar or equivalent powers, and, as this court has said, a limitation upon the price of resale under the copyright laws is void, the same result must follow from a limitation of the power to resell under the patent laws, when the monopoly to vend is alone involved.

Of course, to exhaust his monopoly to vend, the patentee must not only part with the device without any restriction upon its manner of use, but also for the full tribute fixed by him. If under the terms of his contract he is to receive future profits, he may be said not to have sold or vended his device, and that he is looking to the future, not to the present, for his returns. He has the power under the patent laws to secure to himself such returns by limiting the use to which his device is to be placed; but when he has received his full price, free from limitations upon the use, he has lost his entire monopoly. If he has *actually vended* his device he has received his full pay or compensation, whereas if his tribute has not been paid he still holds his monopoly.

In *Heaton Peninsular Button Fastener Co. v. Eureka Specialty Co.*, 77 Fed. Rep., 288, the machine involved was a machine for fastening buttons on shoes by means of small wire staples called fasteners. Complainant, the owner of the patent on the machine, had sold 49,000 of the patented machines *at cost* with the following label or notice on each machine:

"This machine is sold and purchased to use only with fasteners made by the Peninsular Novelty Co., to whom the title to said machine immediately reverts upon violation of this contract of sale."

Defendant manufactured fasteners adapted for use in the patented machine and sold them to the purchasers and users of such machines. Suit was brought against the manufacturer of the fasteners as a contributory infringer. To decide the question whether the defendant was a contributory infringer it was necessary for the court to decide whether the user of the machine, by the use of the fasteners obtained from the defendant, was infringing the patent.

In other words, whether the machine was still under

the monopoly created by the patent notwithstanding its so called sale by the patentee, because of the notice on the machine; or whether, on the other hand, the machine was carried out of the monopoly created by the patent notwithstanding the notice. The court held that by the sale of the machine with the notice thereon the patentee had granted under his patent only a limited or restricted license to *use* the machine with the particular fasteners purchased from him. And that the *use* of the machine with fasteners purchased from the defendant was without or beyond the license given under the patent, and that hence such use was patent infringement.

In that case the patentee when he parted with possession of the machine, did not get the price asked for it, and hence it never was freed from the patent monopoly. What was the return to the patentee? What was his price? It was the initial manufacturer's cost of the machine (the opinion shows that 49,000 were sold at cost), plus a continuing return in the shape of profits made on the sale of the fasteners. Complainant said to a purchaser, you can have the *use* of my machine upon payment to me of the actual cost of that machine and a royalty, that royalty to be the profit which I will make on the fasteners you will use in that machine. On these terms I will give you with the machine a license under the patent to *use* the machine only with fasteners purchased from me. Obviously the initial sale of the machine at cost was not what the patentee demanded under his patent and was not what he expected to receive, and under the many decisions of this court, it was not until he received what he demanded, that the machine was relieved from the patent monopoly.

Such is not the case at bar. Here complainant when it sells a gas-jet heater gets *all* that it asks. The mo-

ment it parts with the title to the patented article it has no future interest or pecuniary return to it, either from the *use* or *resale* of that particular article. There is nothing substantial flowing back to it from the future career of that article, notwithstanding the notice that it places thereon.

It should be particularly noted that in the case of *Henry v. Dick*, 224 U. S. 1, (the Mimeograph case), there was not only a limitation upon the use, but it appeared that the patentee had parted with his machines at cost, or less, and that he had not received his tribute, but that he was looking *in futuro* for his profit. In that case it is said, p. 26:

“The patentee sold its machines at cost, or less, and depended upon the profit realized from the sale of other non-patented articles adapted to be used with the machine, and that it had put out many thousands of such machines under the same license restriction. Such a sale, while transferring the property right in the machine, carries with it only the right to use it for practicing the invention according to the terms of the license.”

This is a restriction upon use, not a limitation upon the power of alienation after the patentee has received his full tribute. In that case the patentee had not exhausted his monopoly to vend, and in parting with his title, he had not received the full consideration therefor. In neither the *Button Fastener* nor *Mimeograph* cases had the patentee received the tribute which he had voluntarily placed upon his devices; but he had specially reserved to himself future profits, hence it cannot be said his patent monopoly had been exhausted. He had not fully exercised or exhausted his monopoly to vend, as he had not received the tribute which he had voluntarily placed upon his devices. In neither the *Mimeograph* case nor in the *Button Fastener* case was there a real vending, with-

in the true meaning of the patent laws. In neither case had the patentee received his full tribute. There must be full consideration to make a vending or sale. In both cases it was clear that the patentee expected to receive profits *in futuro*, and in neither case had the monopoly to vend been exhausted. The patentee had not parted with his monopoly for the full tribute or price fixed by him. In neither case was there an actual vending or sale, and the court, disregarding the words or terms of the transactions, looked into, as it should, the actual transactions to ascertain the rights of the parties. We are not considering, and we refuse to consider, the question of contributory infringement, as it has no bearing upon the record here presented. We are simply calling the attention of this court to the sharp and clear distinction which exists between a sale with a limitation upon the manner of use of the device, and a vending of such device without any limitation or restriction upon its use, and where the attempted limitation or restriction is upon resale only.

The general rule that when a patentee has fixed a price for his patented device and he has received this price from a purchaser, such device is freed from the monopoly of the patent is too well settled to need citations. See, however, for convenience:

*Bloomer v. McQuewan*, 14 How., 537;

*Chaffee v. Boston Belting Co.*, 22 How., 217;

*Mitchell v. Hawley*, 16 Wall., 544.

Under this rule when the patentee has received his price, he no longer has any interest, protected by the patent laws in the device so sold. This bill of complaint was filed in the face of this rule, and claims that even if the patentee has been paid his full price and even if he has not retained any part of the title or any specific pecuniary interest in the device so sold, yet such patentee may by



placard or notice place a restraint upon the power of alienation in the hands of the purchaser, and that such facts present not a case of contract or breach thereof, but a case inherent in or arising under the patent laws, protected by the patent monopoly. No issue is made upon the patent. All the devices were manufactured by complainant and its price paid therefor. The bill sets out in full the placard or notice placed upon each device sold and it alleges a violation of the terms of such placard or notice by a resale of such device at a price less than that fixed in the placard or notice. No other grievance or wrong is charged. If such facts present a case inherent in or arising under the patent laws, then the court below had jurisdiction; if they present a case arising out of contract or a breach thereof, then the court below had no jurisdiction.

That an author or publisher, who has received his price for a book or other publication, cannot invoke the copyright laws to protect a placard or notice attempting to restrict the power of alienation by the purchaser, or to prevent a resale at less than the price fixed in such placard or notice, has been settled by this court in the *Copyright* cases. In *Henry v. Dick* it is announced that a qualified or restricted title may be conveyed so that the use of the article in a particular manner, for a particular time, or in a particular place may be granted and that such qualified or restricted title will be declared valid and enforced under the patent laws; but where the entire title passes with a reverter clause if the terms of the placard or notice be not observed as to the selling price, an action for the enforcement thereof is one for breach of contract only, and the case presented is not one under the patent laws. There is and can be no real difference between the copyright cases and the effect of a placard or no-



tice upon a patented article, where upon the sale the entire title passes, as in the case at bar, and no part of the title and no pecuniary interest is reserved to the patentee. The copyright cases are the following:

*Bobbs-Merrill Co. v. Straus*, 210 U. S., 339;

*Chas. Scribner's Sons v. Straus*, 210 U. S., 352.

The copyright laws cover manufacture or publication and sale, while the patent laws cover not only manufacture and sale, but use also. If the use of a patented article is involved, and such use has been so granted that the patentee has reserved to himself some pecuniary interest by royalty or otherwise, arising from the use of the article, the patentee may be said not to have received his full price. Where, as in the case at bar, the patentee has received the full price demanded by him for the article, where he has in no way restricted its use, and where he has not reserved to himself any direct pecuniary interest in such article, the general rule applies, and such article is freed from the patent monopoly. The words "to vend" and "of vending" must receive the same construction and the restriction in this case be held void.

It cannot be held that where the right to vend is exercised without any limitation as to the manner of use in the future, that the device has not passed beyond the monopoly. Where, as here, the sole limitation or restriction is upon the price at which the device may be resold, the language used in the copyright cases becomes apposite. It is there said (210 U. S., at page 351):

"To add to the right of exclusive sale the authority to control all future retail sales, by a notice that such sales must be made at a fixed sum, would give a right not included in the terms of the statute, and, in our view, extend its operation, by construction, beyond its meaning, when interpreted with a view to ascertaining the legislative intent in its enactment."

That the exclusive right to use is the distinguishing feature between the patent and the copyright laws plainly appears from the language of Mr. Justice Lurton, in *Henry v. Dick, supra*, where he says, on page 46:

“While there are resemblances between the right of the author to ‘vend’ his copyrighted production, and of the patentee to ‘vend’ the patented thing, the inherent difference between the production of an author, be it a book, music, or picture, and that of an inventor, be it a machine, a process, or an article, is so manifest that the exclusive right of one to multiply and sell was declared sufficient to give him that exclusive right to his writings purposed by the Constitution. To the inventor by §4884, Revised Statutes, there is granted ‘the exclusive right to make, use, and vend the invention or discovery’.”

From these words, it is evident that in the opinion of this court, there is no distinction between “to vend” and “of vending” in the patent and copyright laws, and that no controversy can arise unless the question of *use* is involved. There can be no pretense in this case that such question is involved, and hence the copyright decision is decisive.

Appellant contends that in *Keeler v. Standard Folding Bed Co.*, 157 U. S., 659, the question here presented was practically settled, and that nothing in any of the subsequent decisions of this court has in any manner modified or restricted the full force and effect thereof. In that case the patentee had granted an exclusive territorial license for Massachusetts, which was assigned to and owned by the complainant, a New York corporation. The patentee had granted a similar license for Michigan to another corporation. The defendant, a resident of Massachusetts, with full knowledge of the facts, purchased from the Michigan grantee and manufacturer, folding beds which he took to Boston, offered for sale and sold. The bill had as its *gravamen* a violation of

the patent laws and sought an injunction against such sales. The prevailing opinion determined that when the patented device was sold by the patentee or any duly authorized assignee or licensee at the price fixed for the sale, such patented device was freed from the monopoly of the patent and might be sold by the purchaser at any price or upon any terms which he might fix; that even if the purchaser of the patented articles sold them with full knowledge of all the facts so as to damnify the patentee, his assignee or licensee for Massachusetts, it did not present a case inhering in or arising under the patent laws, but one simply for fraud at the common law, or if a contract existed, for violation thereof; and that the federal court had no jurisdiction. The court in considering this question says at page 666:

“Upon the doctrine of these cases we think it follows that one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place. Whether a patentee may protect himself and his assignees by special contracts brought home to the purchasers is not a question before us, and upon which we express no opinion. It is, however, obvious that such a question would arise as a question of contract, and not as one under the inherent meaning and effect of the patent laws.”

The vital question presented for decision there was: did these territorial license contracts and the claimed violation thereof raise an issue under the patent laws, or one of breach of contract? This court decided that the case was not one within the patent laws and not one within the contracts, and that if the patentee desired further protection, such protection, if it could be made, could only be by way of special contracts brought home to the purchasers.

*Bement v. National Harrow Co.*, 186 U. S., 70 was on

error from the Supreme Court of the State of New York. Several different harrow manufacturers owning patents, formed the National Harrow Company, and each assigned its patents to said company, taking back stock in the corporation therefor. The National Harrow Company then licensed each of the individual companies to manufacture a particular and specific kind or style of harrow conditioned on paying to the National Harrow Company \$1 each as royalty, and conditioned further upon maintaining a stipulated price at which the harrow it manufactured should be sold. The action was in the state courts *on the contracts*, and was not a patent suit. The defense was that the contracts were in contravention of the Sherman Act. The court held the contrary. The points involved in that case evidently have no bearing upon the case at bar.

We now consider the decisions of the lower courts that involve the question of the right of a patentee to control by means of the patent statutes the price at which the patented article shall be *resold* after the patentee has manufactured and sold it for his price. The first case in which this principle was upheld was *Victor Talking Machine Co. v. The Fair*, 123 Fed. Rep., 424, in the Court of Appeals for the Seventh Circuit. In that case complainant, a corporation of Pennsylvania, manufactured under its patents talking machines and sold them with the following notice thereon:

“Notice. This machine which is registered on our books No. —, is licensed by us for sale and use only when sold to the public at a price not less than \$—. No license is granted to use this machine when sold at a less price. Any sale or use of this machine when sold in violation of this condition will be considered as an infringement of our United States patents under which this machine and records used in connection therewith are constructed, and

all parties so selling or using this machine contrary to the terms of this license will be treated as infringers of said patents, and will render themselves liable to suit and damages. This license is good only so long as this label and the above noted registered number remain upon the machine, and erasures or removal of this label, will be construed as a violation of the license. A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation. Victor Talking Machine Co."

Defendant, a corporation of Illinois, resold the talking machines at a price less than that named in the label and was sued for patent infringement. Defendant demurred; the demurrer was sustained. The Court of Appeals for the Seventh Circuit reversed the lower court, overruled the demurrer and held that defendant had infringed by selling at a price less than that fixed in the label on the machines, the talking machines of complainant's own manufacture, which it had purchased through a jobber, from the complainant.

In that case the Court of Appeals for the Seventh Circuit enlarged the principle of the *Button Fastener* case so as to make it include a placard relating to the resale price of the article.

Judge Baker, on page 427, without drawing any distinction between a restriction as to the manner of use under the patent law and a limitation upon the power of resale, although they are fundamentally different, says:

"A patentee may reserve to himself as an ungranted part of his monopoly of sale the right to fix and control the price at which jobbers and dealers may sell the patented article to the public, and that whoever without permission enters the reserved portion is an infringer."

In other words, this decision holds that a patentee after having exercised his right to make his patented device,

after having parted with such device, without any limitation or restriction upon its use, and after vending the same, at whatever price he chooses, can, under this statutory or patent right, retain in himself the right to re-sell that particular article,—that concrete embodiment of the patented invention,—at some other or different price than that named in the label on the article. Or to phrase it somewhat differently, that case holds that the patentee may part with the title to the concrete embodiment of the patented invention, receiving therefor the full price demanded for it, but that under his patent, by means of the label or notice affixed to the article, he licenses the purchaser of that article to sell that particular article at not less than the given price, retaining in himself the right to sell, not other embodiments of the patented invention at a different price, but to re-sell *that particular* embodiment of the invention at a different price. We claim that this is a *reductio ad absurdum*. It is, of course, conceded that the patentee can, if he chooses, sell one embodiment of his invention at one price and another embodiment at another price. And that he can inflict the harshest and most fanciful terms on the use of any of the embodiments of his invention so long as he retains the title to those embodiments, but the moment he parts with the title to the *thing*, that *thing* is no longer within the monopoly created by the patent, and any contract expressed or implied which attaches to the thing in the hands of the purchasers must be enforced purely as a contract, and not under the patent laws. The only possible theory on which the doctrine of the Victor case can be sustained is that the purchaser of the patented article from the manufacturer or from a jobber who has purchased from the manufacturer is acting as the agent of the patentee-manufacturer for the sale of that article. If the relation of principal and agent

existed the rule *respondeat superior* must apply. The bill of complaint in this case not only repudiates any such rule, but proceeds upon the theory that under the patent laws each purchaser, with notice, *ad infinitum*, who buys at a less price than that fixed by the placard is an infringer, not an agent. Again, to create the relation of principal and agent the arrangement must be such as to bring financial or substantial return to the principal through the actions of the agent. In the Victor case, and in the case at bar, no action of the agent brings any financial return to the patentee. The latter obtained the full price demanded for the article when he sold it, and so far as that specific article is concerned, his interest in it is dead. The purchaser becomes not the agent of the patentee, but his own principal.

Judge Baker also states that:

“Within his domain the patentee is Czar.”

Where a patentee retains his entire title and has not parted in any manner with any portion thereof he may in effect be a Czar within his patent domain. It may also be that if the patentee grants a territorial right or other interest by assignment, grant or exclusive license, he remains the Czar in his patent domain as to all interest therein reserved to himself. It may further be that if the patentee by assignment, grant, license or otherwise parts with an interest in his patent and by the contract, whatever its form, retains to himself under the contract a royalty or other pecuniary interest in the specific article covered by the patent, he is still Czar as to such retained interest; but it is perfectly clear when the patentee places a price upon his patented article, which price represents all the profit he is ever to receive from that particular article and he obtains that price, he no longer remains the Czar of that device so



sold, and it is thenceforth entirely free from the monopoly of the patent.

Considering now specifically the facts of the case at bar appellee sold to a jobber the patented gas-jet heaters and obtained the price fixed by him; the jobber sold them to appellant and obtained the full fixed price. The gas-jet heaters so purchased carried with them the so-called notice or license. The appellee had no interest in those heaters. Whether appellant sold them at double the price named in the notice or at half the price named in the notice meant no financial return to appellee. Under these facts no possible question is presented under the patent laws. If any questions of contract obligation are presented, these cannot be considered by a federal tribunal where the parties are citizens of the same state, and hence we do not discuss them.

Shortly following the Victor decision just referred to came the case of the *National Phonograph Co. v. Schlegel*, 128 Fed. Rep., 733, in the Court of Appeals for the Eighth Circuit, where much the same facts were involved as in the Victor case and where the court held substantially the same as in the Victor case on the authority of the latter case and the Button Fastener case without considering the clear distinction between a sale where the patentee had received his full tribute and a limitation upon the right of use where the patentee was to receive his profits *in futuro*. It should be noted that in both the Victor case and in the National Phonograph case just cited the lower courts were reversed. It is also worthy of note that while Judge Kohlsaas in *Victor Talking Machine Co. v. The Fair*, 118 Fed. Rep., 611, considers the language of the Folding Bed case as binding upon him, yet neither in the appeal from Judge Kohlsaas (the Victor case above discussed) nor in the case of *National Phonograph Co. v. Schlegel*, *supra*, nor in the



*Button Fastener* case was the opinion of this court in *Keeler v. Standard Folding Bed Company* cited or considered. The only other decision by a court of appeals which we have been able to find bearing directly on the facts of the case at bar is *The Fair v. Dover Mfg. Co.*, 166 Fed. Rep., 117. There substantially the same facts were involved as in the Victor case except that the notice placed on the goods was not explicit as to the minimum price at which the goods could be sold, but read as follows:

“Asbestos sad irons are sold subject to restrictions as to the persons and the minimum prices at which they may be resold. Any violation of such restrictions makes seller or user an infringer of the patents controlled by the Dover Manufacturing Company. A purchase is an acceptance of these conditions. All rights revert to the undersigned in the event of any violation.”

The court in that case went somewhat further than in the Victor case, and Judge Baker speaking for the court holds, impliedly at least, that the retailer who through the jobber, purchases the placarded patented article from the patentee paying him the full price demanded, becomes the agent or successor in interest of the patentee. As we have already pointed out, agency or trusteeship necessarily means a return to the principal or beneficiary of something substantial through the article or commodity or estate which is the subject of the agency or trusteeship. Here is absolutely no return to the patentee (the principal) through the *resale* of the patented article—hence no agency or trusteeship.

It is very clear from the decisions of this court in *Henry v. Dick*, 224 U. S., 1, under the patent laws; *Bobbs-Merrill Co. v. Strauss*, 210 U. S., 339, under the copyright laws; and *Dr. Miles Medical Co. v. Park & Sons Co.*, 220 U. S., 373, under the principles of the common law, or

the law of the land, that unless the record discloses that some limitation or restriction has been placed *upon the manner of the use* of the article sold or vended, and the patentee has received his full tribute or price, the device so vended is entirely free from the patent monopoly; and that any restriction or limitation upon resale is a mere matter of private contract or agreement, which in no way presents a case under the patent laws, and is void under the common law as an undue restraint upon alienation, although the validity of such restraint upon alienation cannot be involved in this case until it is presented to a court having general jurisdiction over contracts between citizens of the same state.

The very recent decision of this court in the *Bath Tub* case, *Standard Sanitary Mfg. Co. v. The United States et al.*, decided Nov. 18, 1912, practically holds that the patentee is not a Czar, at least when he attempts to exercise powers under the patent monopoly in opposition to the Sherman Act. Hence the monopoly of a patentee is not so sacred and complete as it has been ordinarily looked upon by the bar, and by courts generally. The monopoly is not absolute. The powers of the patentee must receive reasonable and proper construction with due reference to provisions of the Constitution, other acts of Congress and the general law of the land. That this is the correct principle and that such restraints upon the power of alienation as are here attempted should be looked upon with disfavor would seem necessarily to follow from the language of Chief Justice Taney in *Brown v. Duchesne*, 19 How., 183.

That case was a bill in equity in the ordinary form for infringement of letters patent. It appeared that a French vessel had had placed upon her in France the de-

vice covered by the letters patent sued on and that such vessel was lying at anchor in the port of Boston. There was a technical infringement of the patent sued on. In that case as in the case at bar no substantial direct pecuniary damage was shown to result to the complainant. In that case as in this, it may be claimed that a technical trespass upon the monopoly of the patentee existed and that indirect damages would flow from the fact that a device covered by his patent was in use without his full consent and authority; yet the bill was dismissed, Chief Justice Taney, among other things, saying at page 196:

“But it seems to be supposed that this user of the improvement was, by legal intendment, a trespass upon the rights of the plaintiff; and that although no real damage was sustained by the plaintiff, and no profit or advantage gained by the defendant, the law presumes a damage, and that the action may be maintained on that ground. *In other words, that there is a technical damage, in the eye of the law, although none has really been sustained.*

“This view of the subject, however, presupposes that the patent laws embrace improvements on foreign ships, lawfully made in their own country, which have been patented here. But that is the question in controversy. And the court is of opinion that cases of that kind were not in the contemplation of Congress in enacting the patent laws, and cannot, upon any sound construction, be regarded as embraced in them. For such a construction would be inconsistent with the principles that lie at the foundation of these laws; *and instead of conferring legal rights on the inventor, in order to do equal justice between him and those who profit by his invention, they would confer a power to exact damages where no real damage had been sustained, and would moreover seriously embarrass the commerce of the country with foreign nations. We think these laws ought to be construed in the spirit in which they were made—*

that is, as founded in justice—and should not be strained by technical constructions to reach cases which Congress evidently could not have contemplated, without departing from the principle upon which they were legislating, and going far beyond the object they intended to accomplish.” (Italics ours.)

In reading and applying to the instant case this opinion of Chief Justice Taney, it should be remembered that at the common law the grant of the use of an article of personal property could be limited as to time, person or place, and that delivery of possession with a restriction upon the use, was not treated with special disfavor by the courts. Upon the other hand, under the principles of the common law, where there had been a vending or sale of an article of personal property the delivery of possession ordinarily passed the entire title and any and all limitations or restrictions attempted to be placed upon the power of alienation or the resale of such article by the vendee or purchaser were jealously scrutinized, always looked upon with disfavor, and generally held void by the courts. Thus, these words “use” and “vend,” occurring in the patent law, should be read and construed by this court with reference to their signification at the common law at the time the patent laws were enacted and Congress will be considered as having used them with their common law meaning.

Again, if any trespass, tort, grievance or wrong is set out in the bill of complaint herein, it is only a technical one; no direct pecuniary damage is alleged to the complainant; hence the bill herein is devoid of equity and under the opinion just cited such bill should have been dismissed upon general principles for lack of equity. It certainly is against all principles of chancery jurisdiction to allow a bill to be maintained and an in-

junction issued where nothing but a technical trespass or wrong is alleged.

In every case in this court, including *Henry v. Dick, supra*, where a bill for patent infringement has been sustained, it has affirmatively appeared that the tort or action of the defendant was depriving the complainant of the profits or tribute which he had placed upon the device. Whereas in the instant case the action of the defendant has in no manner whatever deprived the complainant of any profits which he expected to receive either *in presenti* or *in futuro*, and therefore the main or chief ground for the maintenance of an infringement bill does not exist in the case at bar. To maintain any bill in equity for an injunction, actual and not theoretical harm must be shown.

It is elemental that no special procedure is essential to raise the question of jurisdiction and that it may be presented by special plea, by special demurrer, by motion or by exceptions. It has always been the rule both in actions at law and suits in equity that questions of jurisdiction, whether *in personam* or of the subject-matter, could be most appropriately raised by special appearance and by special plea. The plea in this record follows the form approved by Lord Thurlow in challenging the jurisdiction of the English Court of Chancery in *Cunningham v. Wegg*, 2 Bro. Ch., 241, which form has been adopted by Mr. Justice Story in his work on Equity Pleadings, 3rd Edition, Sections 716 and 717.

This Supreme Court is the only court created by the Constitution. All other federal courts are created by Congress and their jurisdiction is dependent solely upon the proper construction of the acts conferring jurisdiction upon them. When a question of jurisdiction is raised through the construction of an act of Congress,

the court to which such question is presented has, of course, the power in the first instance to pass upon or decide it. It cannot, however, by construction enlarge the jurisdiction conferred under a proper interpretation of the act. Where the challenge of the jurisdiction has been in no manner waived and the defendant insists upon it as the sole question involved, whatever the ruling of the lower tribunal may be, it is subject to direct review by this court. Jurisdiction being raised the first natural step is to examine the bill of complaint or the declaration, as the case may be. If such examination discloses that the necessary facts to confer jurisdiction are not set out in the pleading, the plea to the jurisdiction should of course be sustained. If, however, such examination discloses that the pleading does set out all the facts necessary to make a *prima facie* case and to bring the controversy whatever it may be within the jurisdiction of the lower federal tribunal, it by no means follows that such tribunal has jurisdiction. The powers of the court below depend upon the meaning and proper construction of the acts of Congress, not upon what the pleader has alleged. The jurisdiction of federal courts does not depend upon the ingenuity of lawyers, nor the allegations which they may make in their pleadings. It does depend upon the proper construction of the acts of Congress relating thereto.

All the lower federal tribunals are courts of limited, not general jurisdiction, and they depend for their powers upon the acts of Congress creating them. They may be appropriately termed special courts. It is true that in some instances, such as where the jurisdiction depends upon diversity of citizenship, the lower federal courts act as common law courts or those of general, not limited, jurisdiction. It may be that in such cases, where the

necessary amount is involved, a mistaken ruling of the lower court upon the question of jurisdiction, like any other rulings of such court, can only be reviewed by ordinary appeal. Under such a ruling and under such a case, the lower tribunal does not act as a special court or one of limited jurisdiction, but as a court of general jurisdiction. Under such a record the court below does not exceed its authority but simply commits error in its ruling, and to this effect is the decision of this court, *In re Metropolitan Trust Co.*, 218 U. S., 312. Where, however, the court below acts, not as a court of general jurisdiction, but as a special court or one of limited jurisdiction, the rule is entirely different. The court of claims, the customs court, the commerce court, and the circuit courts, now abolished by the power of Congress, hence more properly the district courts, in admiralty, copyright and patent cases, all act as special courts or courts of limited jurisdiction. They do not act as common law courts or those of general jurisdiction and can exercise no powers except such as are directly or incidentally conferred, and to bring a case within such powers, the whole record or facts must disclose affirmatively a case within the granted powers. This principle is well illustrated by the decision of this court in *The Ira M. Hedges*, 218 U. S., 264, where it said on p. 270:

“The admiralty has a limited jurisdiction. If there are no merits in the claim, it is of a kind that the admiralty not only ought not to enforce, but has no power to enforce. At all events, the form of the decree must be taken to express the meaning of the judge. If the decree was founded, as it purports to be, on a denial of jurisdiction in the court, this court has jurisdiction of the appeal. For all admiralty jurisdiction belongs to courts of the United States as such, and therefore the denial of jurisdiction brings the appeal within the established rule.”



The mere fact that the bill is so drawn as to present a case arising under the patent laws is not final. If the real facts show, as we contend they do here, a case solely cognizable by the state courts, the allegations of the bill become immaterial. It is thoroughly settled under the decisions of this court that the whole record will be examined upon questions of jurisdiction, and in many cases this court has of its own volition raised the question of jurisdiction although presented in no manner in the court below. The federal courts do not have any more exclusive jurisdiction in patent cases than they have in admiralty cases. Yet in the *Hedges* case just cited this court not only allowed but decided the question of jurisdiction upon a direct appeal. In the instant case the sole issue raised was by special appearance and by special plea a question of jurisdiction and this question must necessarily depend upon the admitted facts shown by the record and not upon the allegations of the pleader in his bill. Where the defendant raises and stands upon the question of jurisdiction only, he is entitled to have this question determined by this court, whatever the allegations of the counsel for complainant may be. The principle for which we contend has been very recently announced by this court in *Procter & Gamble Co. v. United States, et al.*, 225 U. S., 282. In that case a special demurrer and a motion to dismiss were interposed to the jurisdiction of the commerce court and this court decided that under the proper interpretation of the acts of Congress that court had no jurisdiction. So under the admitted facts of this case and the proper interpretation of the word "vend" in the act of Congress, we claim and insist that the court below was devoid of jurisdiction.

*Pratt v. Paris Gas Light and Coke Company*, 168 U. S., 255, and kindred cases have no bearing whatever upon the question raised by this record. The question of



jurisdiction is not in this case raised as an incidental or collateral issue arising during the trial of the cause and so raised before a common law court or one vested with full general jurisdiction; but it is raised directly as the sole and controlling issue in the case before a tribunal of special and limited jurisdiction. It is of course true, as was decided by this court in *Henry v. Dick*, *ante*, that if a bill states a case within the patent laws and the interpretation given to those laws is consonant with the claim made in the bill, then the court has jurisdiction. In that case, however, if the question of jurisdiction had been properly raised below as it has been in this case, and this court had given a different interpretation or meaning to the word "use" in the statute, then the judgment must have been as it was in the *Procter & Gamble Case*, *supra*, that the lower tribunal was without jurisdiction.

Under the acts of Congress jurisdiction does not depend upon the bill, nor even the answer, but if from the whole record it is evident jurisdiction is lacking, then the suit must be dismissed. In *Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*, 185 U. S., 282, this court said on page 287:

"Now as the bill in this case differs from an ordinary bill for infringement only in the fact that the suit is by a licensee against two defendants, one of whom is the licensor and owner of the patent, and the license is set forth only for the purpose of showing title, there would be no difficulty whatever in sustaining it were it not for the question whether we are not also bound to consider the averments of the answer. We think this difficulty is practically settled by a reference to Section 5 of the jurisdictional statute of 1875 (18 Stat. at L. 470, 472, Chap. 137) which provides 'that if, in any suit commenced in a circuit court, it shall appear to the satisfaction of the said circuit court, at any time after such suit has been brought, that such suit does not really and sub-

... involve a dispute or controversy properly within the jurisdiction of said circuit court, the said court shall proceed no further therein, but shall dismiss the suit.' While it seems reasonable to say that a jurisdiction once acquired by the filing of a proper bill ought not to be taken away by any subsequent pleading, the statute is peremptory in this particular, and requires the court to dismiss the case whenever *at any time* it shall appear that its jurisdiction has been improperly invoked."

In the case at bar the court must under the authority of the above case consider all the facts of both the bill of complaint and the plea in arriving at a conclusion as to whether this case arises "under the inherent meaning and effect of the patent laws." The bill of complaint in addition to the general charge of infringement sets forth the particular tort or grievance complained of. The additional facts set forth in the plea, which was set down for argument and therefore stand admitted, clearly limit all allegations in the record to a violation of the terms of the placard by resale at a lower price than that set forth therein.

Judge Baker in considering the question of jurisdiction in the Victor case says on page 426:

"But again, the defense whether put in by the defendant or by the plaintiff for him, cannot change the nature of the action."

This statement when applied to a case originating in the federal courts is, we maintain, squarely against *Excelsior Wooden Pipe Co.*, just referred to and against the statute therein quoted. If the bill of complaint, or the plea, answer or proofs, show facts which raise the contention that the suit is merely for a breach of private contract and not one under the patent laws, then the court is bound to consider the question.

That jurisdiction is amply certified and is now here

for decision, this court has determined in the following cases:

- Globe Newspaper Co. v. Walker*, 210 U. S., 356.  
*Simmons v. The Jefferson*, 215 U. S., 130.  
*Excelsior Wooden Pipe Co. v. Pacific Bridge Co.*,  
 185 U. S., 282.  
*United States v. Jahn*, 155 U. S., 109.  
*Ex parte New York & Porto Rico Steamship Co.*,  
 155 U. S., 523.  
*Re Lehigh Mining & Mfg. Co.*, 156 U. S., 322.  
*Shields v. Coleman*, 157 U. S., 168.  
*Am. Sugar Ref. Co. v. New Orleans*, 181 U. S., 277.  
*United States v. Larkin*, 208 U. S., 333.  
*Davis v. C. C. C. & St. L. Ry. Co.*, 217 U. S., 157.

If, however, any possible question should arise in the mind of this court as to whether the record is technically and correctly here for consideration and decision, we beg to suggest that the question presented is one of broad public interest, and not one involving merely the rights of private parties. We further suggest that for years parties litigant have been desirous of an authoritative decision from this court upon the question involved so that their rights might be finally settled and a guide furnished as to all future transactions. The opinions of the lower courts were in unanimity; no certificates of diversity of opinion could be obtained, and until the case of *Henry v. Dick*, no reasonable ground could be presented within the rulings of this court for a *certiorari* as apparently no question except one involving the rights of private parties could be presented. As Mr. Justice Lurton says in *Henry v. Dick*, *supra*, on page 36, referring to the lower federal tribunals:

“To these courts has been committed the duty of interpreting and administering the patent laws. There is no power in this court to review their judg-

ments, except upon a writ of certiorari, or to direct their decisions, save through a certified interrogatory for direction upon a question of law. This power to review by certiorari is one which has been seldom exercised in patent cases."

The result has been a long line of cases in the lower courts following the *Button Fastener* and *Victor Talking Machine* cases. Counsel in this case conceived it possible by a special appearance and a special plea to the jurisdiction to bring the question here for adjudication. If as suggested there is any possible doubt in the mind of this court as to whether this record is properly here, it is certainly within the power of this court to treat this record as a return to a writ of certiorari, which if granted could only bring up the record *verbatim et literatim* as it is now presented. That the question here involved since the decision in *Henry v. Dick* is one of public interest goes without saying and that this court should make an authoritative ruling if for no other purpose than as a guide to Congress in the bills now pending before it looking toward an amendment of the patent law is plain.

We insist that the appeal in this case is properly taken under the decisions of this court, but if we are wrong in this view, under the circumstances, such appeal should be, as it may be, treated as a return to a writ of certiorari.

The method pursued by appellant in permitting the bill to be taken against it *pro confesso* for the purpose of speedy hearing by this court on this question of jurisdiction has precluded the introduction into the record of proofs to show the wide extent to which the practice has grown of placarding patented articles, and controlling under the patents by means of those placards the future sale of such patented articles. The numerous

cases cited by us show that a large and constantly increasing practice has grown up among concerns manufacturing devices under patents, of placing on their patented articles notices similar to that in the case at bar and upon violation of the terms of the notice to sue the guilty party for patent infringement. The result as can be readily appreciated is that when a concern like this appellant desires to fix its own retail selling price on goods which it has bought and which it owns (containing a placard such as in the case at bar) it must contest the validity of the patent, an extremely long, tedious and expensive proceeding. Failing in this it must meekly bow to the Czar patentee. Such a condition is intolerable and we feel that this court will recognize that this case while nominally between private parties brings to this court a question fraught with the utmost importance to patentees, retailers and the *purchasing public*. For it should be borne in mind, that if this price restriction cannot be enforced under patent authority it is, under the statutes of many states, and in our opinion at the common law, illegal, and the public are being forced to pay exorbitant prices for articles, the retail selling price of which would be materially reduced under natural and healthful competition, if unrestricted by false doctrines concerning patent monopolies.

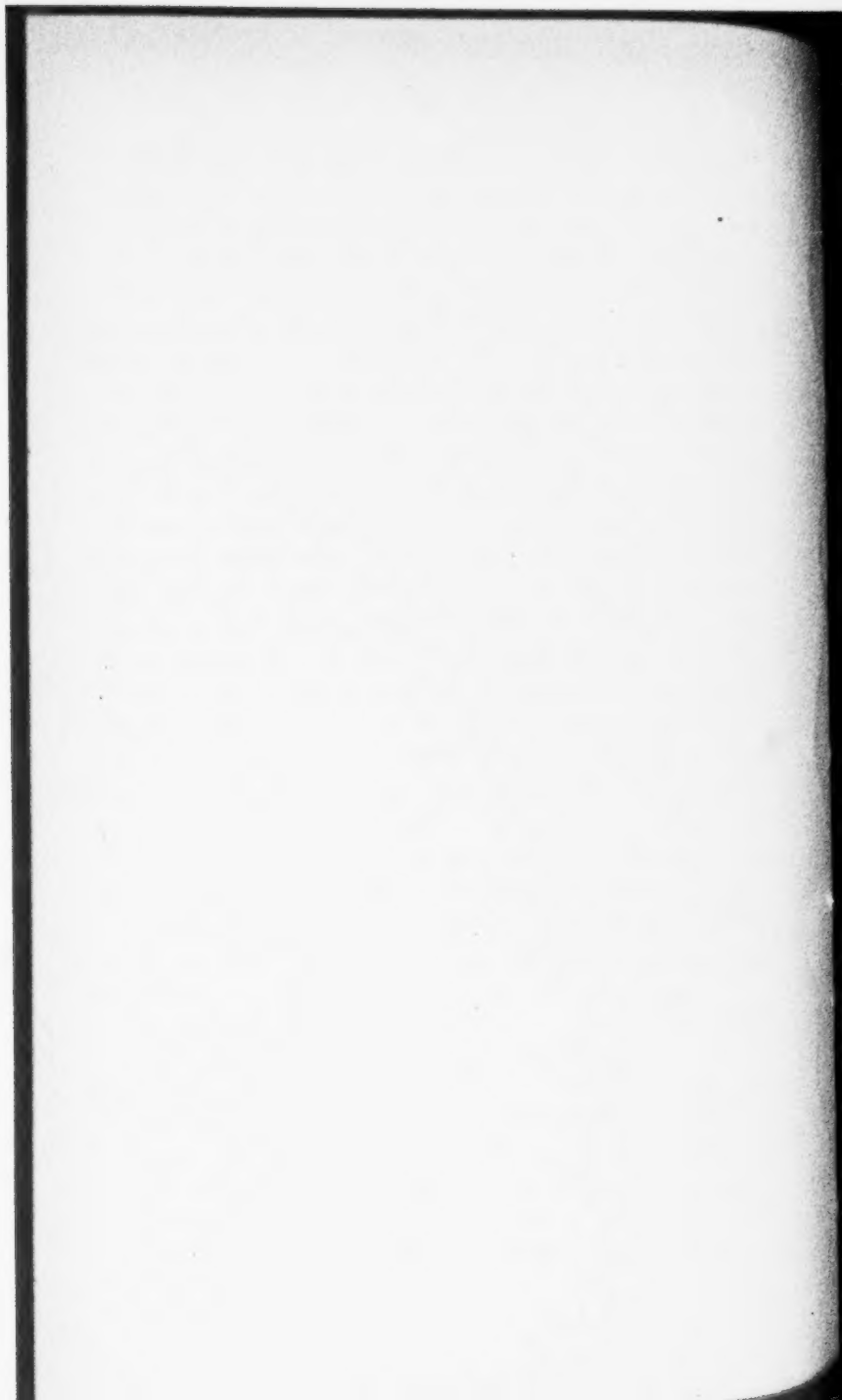
Respectfully submitted,

WALTER H. CHAMBERLIN,

DAVID S. WEGG,

*Counsel for Appellant.*

CHICAGO, December, 1912.



# SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1912.

No. 169.

(October Term, 1910. No. 784.)

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**THE FAIR,**

Appellant,

vs.

**KOHLER DIE & SPECIALTY COMPANY,**

Appellee.

Appeal from the Circuit Court of the United States for the Northern  
District of Illinois.

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## REPLY BRIEF OF APPELLANT.

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It is conclusively shown by the record, and admitted by counsel for appellee, that appellant filed a special appearance objecting to the jurisdiction; that it also filed a special plea to the jurisdiction; that such plea was set down for argument and thereby the facts set forth therein were admitted; that such plea was overruled; that no other or further proceedings were thereafter had or taken by appellant prior to decree; and that the final decree entered was one in form *pro confesso* reciting "that the time for

appearance by the defendant has long since expired and no appearance except the special appearance for the sole and only purpose of objecting to the jurisdiction has been entered," etc. That thereafter appellant prayed an appeal upon the sole question of jurisdiction for the reasons set forth in its assignment of errors; and asked a formal certificate upon the question of jurisdiction; that such formal certificate was refused but the petition for appeal was allowed "upon the question of the jurisdiction of this court over the subject matter of this cause, as prayed." In his opinion the Judge said: "No proceedings did occur in this case, however, on the part of the defendant except the filing of the plea which the defendant claims is a plea to the jurisdiction."

It is patent from the record and the argument of appellee, that no issue was made or raised upon the merits and no question in regard thereto was passed upon or decided by the court below; and that the sole and only question in contest was one of jurisdiction. This stands admitted by counsel upon both sides, by the entire record and the opinion of the presiding judge.

Counsel for appellee, however, raise two questions, both of which are devoid of merit:

I. No formal certificate of jurisdiction was signed by the circuit judge, and

II. No such certificate was signed at the proper term.

#### I.

Counsel for appellee contend that the record presented to this court in this case is not sufficiently certified, under Section 5 of the Act of 1891, to confer jurisdiction upon this court; and upon this question *Maynard v. Hecht*, 151 U. S., 324, is cited. That case was an action at law under



a general appearance and general demurrer; trial by jury; a verdict, and judgment on the verdict.' After verdict the defendant moved for a new trial and raised the question that the amount in controversy was insufficient to confer jurisdiction upon the court below. A writ of error in the ordinary form was granted, which brought up the entire case on the merits for review. No certificate in any form was *applied* for, or granted by the court below, on the question of jurisdiction, and the entire record on the merits came here. A motion to dismiss was granted by this court upon the ground that the record upon the question of jurisdiction was not properly certified. There can be no possible contention over that decision, as there was a simple writ of error in the ordinary form, a trial upon the merits, a verdict, and judgment. There was nothing in the nature of or equivalent to a certificate from the court below showing that jurisdiction had been involved, or that the record sent to this court presented that question only.

Very many subsequent decisions of this court have held that a record, such as is presented in this case, is sufficiently certified.

*In re Lehigh Mining and Manufacturing Company, Petitioner*, 156 U. S., 322, was an action of ejectment. A plea was interposed that a collusive conveyance had been made for the purpose of conferring jurisdiction on the Circuit Court of the United States. The plea was sustained and a final judgment was entered dismissing the action for want of jurisdiction. The plaintiff then prayed for a writ of error to this court upon the question of jurisdiction and the writ was allowed "as prayed for." Plaintiff requested a formal certificate under Section 5. The circuit court refused the certificate. Upon application to this court for a mandamus, the petition was dismissed upon the ground

that the record was sufficiently certified within the act of Congress.

*Shields v. Coleman*, 157 U. S., 168, was a case of conflicting receiverships between a state court and a circuit court of the United States, where the state receiver first acquired possession. Proceedings were had in the court below culminating in a final decree establishing certain liens and ordering the property to be sold. The state receiver prayed an appeal upon the ground that the federal court had no jurisdiction to oust him from possession. The court, in allowing the appeal, stated:

“This appeal is granted solely upon the question of jurisdiction.” (Page 176.)

In holding this a sufficient certificate within the Act of Congress, and in considering prior cases, this court said (p. 176):

“It is not necessary that the word ‘certify’ be formally used. It is sufficient if there is a plain declaration that the single matter which is by the record sent up to this court for decision is a question of jurisdiction, and the precise question clearly, fully, and separately stated. No mere suggestion that the jurisdiction of the court was in issue will answer. This court will not of itself search, nor follow counsel in their search of the record to ascertain whether the judgment of the trial court did or did not turn on some question of jurisdiction. But the record must affirmatively show that the trial court sends up for consideration a single definite question of jurisdiction. And that is here shown. The petition for an appeal is upon the single ground that the court wrongfully took jurisdiction of the property, because it was then in the possession of the state court, and in the order allowing the appeal it is explicitly stated that ‘this appeal is granted solely upon the question of jurisdiction,’ and the court at the same time reserved to itself the right, which it subsequently exercised, of determining what portions of the proceed-

ings should be incorporated into the record sent here for the purpose of presenting this question."

The similarity of the records in the instant case and in *Interior Construction Company v. Gibney*, 160 U. S., 217, would seem to preclude further consideration of the question. In the latter case, a plea to the jurisdiction was inserted. This plea was demurred to. The demurrer was overruled and judgment entered for defendant. The plaintiff thereupon presented its petition for review upon the sole ground of jurisdiction, and assigned three errors—which are *mutatis mutandis* precisely the same as those presented by this record. The petition was allowed and this court maintained jurisdiction, saying, on page 219:

"The record shows that the only matter tried and decided in the Circuit Court was a demurrer to the plea to the jurisdiction; and the petition, upon which the writ of error was allowed, asked only for the review of the judgment that the court had no jurisdiction of the action. The question of jurisdiction alone is thus sufficiently certified to this court, as required by the act of March 3, 1891, c. 517, Sec. 5, 26 Stat. 828; *In re Lehigh Co.*, 156 U. S. 322; *Shields v. Coleman*, 157 U. S. 168."

It conclusively appears in the case at bar that the contested question was jurisdiction, and that no merits were involved; that the entire record certified shows this, and this only, and that the appeal was prayed for and allowed upon the sole question of jurisdiction. Under such facts, the case of *Smith v. McKay*, 161 U. S., 355, seems on "all fours" with the one here presented and decides that the objection to certification is not well taken. MR. JUSTICE SHIRAS, in delivering the opinion of the court, on page 357, says:

"The record discloses that the defendants below appealed upon the express ground that the court erred in taking jurisdiction of the bill and in not dis-

missing the bill for want of jurisdiction, and prayed that their appeal should be allowed, and *the question of jurisdiction* be certified to the Supreme Court, and that *said appeal was allowed*. The certificate further states that there is sent a true copy of so much of the record as is necessary for the determination of the question of jurisdiction, and as part of the record so certified is the opinion of the court below, in accordance with which defendants' motion to dismiss the cause for want of jurisdiction was denied. It, therefore, appears that the appeal was granted solely upon the question of jurisdiction, and this brings the case within the rulings in *Shields v. Coleman*, 157 U. S. 168, and *In re Lehigh Mining Co.*, 156 U. S. 322."

In *Petri v. F. E. Creelman Lumber Co.*, 199 U. S., 487, it appeared that pleas to the jurisdiction were filed and sustained. A writ of error was allowed solely upon the question of jurisdiction. It was held it thus appeared from the record that jurisdiction was the sole question involved and no formal certificate was necessary.

In *Chicago v. Mills*, 204 U. S., 321, no formal certificate, such as is contended in this case should have been made, was signed, but this court, in maintaining jurisdiction, said, in exact accord with the proceedings in this case, on pages 325 and 326:

"The record discloses that the appeal was allowed to this court solely upon the question of the jurisdiction of the court as a Circuit Court of the United States. A certificate entered the same term at which the appeal was allowed sets forth that the city objected to the jurisdiction of the court as a Federal court, and that the appeal was prayed solely upon the question of jurisdiction of the court as a Circuit Court of the United States, and that the appeal was granted solely upon the question of jurisdiction."

In *Globe Newspaper Co. v. Walker*, 210 U. S., 356, an action at law was brought for damages for an alleged infringement of a copyright of a map. Objections to the

jurisdiction were made and these objections were renewed in various forms during the trial. These objections were overruled. An appeal was taken to this court on the question of jurisdiction. The objections to the jurisdiction made below were sustained, and the only certificate was, as appears from the opinion of this court on page 361 :

“The court made a certificate that the denial of the motions aforesaid was based in each case solely upon the ground that the cause set forth in the declaration was one, in the opinion of the court, which arose under the copyright laws of the United States, whereof the Circuit Court of the United States had jurisdiction, and in any event, its action was controlled by the opinion of the Circuit Court of Appeals in 140 Fed. Rep. 305.”

The foregoing opinions are conclusive against the objection made by counsel for appellee.

## II.

Under a multitude of decisions of this court no direct appeal can be taken until after final decree. We may admit that the appeal should be taken during the term at which final decree was rendered, although this is not necessary, as the two years limit would apply. The all-sufficient and only answer to this contention of counsel for appellee is, that the appeal was so taken. No intervening term occurred. All the proceedings took place at the same term, to-wit, the October term of the lower court, and we find nothing whatever in this point requiring a reply.

Respectfully submitted,

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CHICAGO, January 25, 1913.